

GASB 34 DISCUSSION GROUP CONFERENCE CALL
Thursday, January 9, 2003 9:00 a.m. – 11:00 a.m.
TOPICS FOR DISCUSSION

Attendees:	Joan Anderson, OPI	Mike Duncan, DOA
	Denise Ulberg, OPI	Tom Hayes, DOA
	Mike Waterman, OPI	Kim Smith, DOA
	Terry Burke, CPA	R.J. Tvedt, Bozeman Schools
	Don Davies, CPA (Ron Foltz firm)	Susan Fleming, Columbia Falls Schools
	Rick Reisig, CPA (Hamilton, Midfeldt)	
	Susan Rose, CPA (Galusha, Higgins, & Galusha)	

I. Model MD&A

Kim Smith has provided Joan with a 14-point checklist for implementing the MD&A. Joan is considering using the checklist in lieu of the model MD&A that OPI currently has out. It is auditable and school districts would have a checklist to follow. Joan will e-mail the checklist to the group and will work more to include the 14 points in OPI's model MD&A.

II. Major Fund Determination

A. Separating vs. combining elementary and high school funds for major fund determination

1. OPI has found that Montana is unique in that elementary districts are legally separate from high school districts (except K-12 districts). There are few similar situations in other states.
2. Issues
 - a. Level of auditor's opinion on the district's financial statements. If the auditor is expressing an opinion on the district as a whole, then funds should be combined.
 - b. Legal requirement that funds be accounted for separately. All funds controlled by the board of trustees are separate in terms of taxpayers, tax collections, accounting for money, etc. Funds should be separate.
 - c. Consistency. General fund must be combined, so why not the other funds?
 - d. Audit costs. Combining could result in more funds determined as major. This increases audit costs.
3. Suggested direction/guidance from OPI
 - a. Require separation of funds for major fund determination (except general fund is always combined). District and auditor can agree on supplemental reports that would show combined information. Also note that GASB 34 allows the entity the option to determine a fund as major.
 - b. Add to Appendix A of the Standard Contract for Audit Services (DOA).
 - 1) Contract is currently being updated for GASB 34. DOA can work on additional language and e-mail it to the group.
 - 2) Consideration of how additional language would affect current multi-year contracts.
 - 3) May want to get comments from more CPAs and schools.
 - 4) Also add language to Standard RFP for Audit Services. This would level the playing field for auditors when bidding on contracts.

- B. Is it okay to reclassify small or immaterial enterprise or internal service funds as special revenue funds? It was agreed that the auditor and the school district should determine this. No recommendation will come from OPI.
- C. OPI's intent is to classify the Student Activity Fund as a Private Purpose Trust Fund.
 - 1. Tom Hayes memo for classifying as a Special Revenue Fund. Tom stressed that this is his opinion only and not that of DOA or OPI. Extracurricular funds are often used to support school related activities (example: athletics). Schools typically do not have trust documents for extracurricular funds. Trustees are responsible for and often have control of the funds. Classifying as a special revenue fund would subject it to major fund determination and would eliminate two fiduciary funds statements required in the financials. Standard audit contract would continue to require detailed information and additional testing.
 - 2. Trust funds are excluded from calculations for per-pupil expenditures. Classifying as a special revenue fund would include student extracurricular funds in these calculations.
 - 3. Different states treat this differently. On a nationwide basis, a lot of states see these as trusts even though there are no trust documents. The money is held mostly in clubs and accounts in control of a fund custodian, even though the trustees are responsible.

III. Other

- A. Budgetary comparison reports – original and final budget. These are only required for general and major special revenue funds that have a legally adopted budget.
- B. Federal grants flowing through OPI. Example: Title I pays another special revenue fund for indirect costs. This may be recorded as an operating transfer to avoid double reporting of revenues and expenditures.

IV. Next conference call

- A. Scheduled for **Thursday, February 27 at 9:00 a.m. to 11:00 a.m.**
- B. Topics
 - 1. OPI's Model MD&A
 - 2. DOA Standard Contract – draft additional language for major fund determination
 - 3. Standard RFP for Audit Services – additional language for major fund determination.
 - 4. Jim O's depreciation schedule
 - 5. Other – contact Denise Ulberg to add to agenda.